



Robert W. Quinn, Jr.  
Federal Government Affairs  
Vice President

Suite 1000  
1120 20th Street NW  
Washington DC 20036  
202 457 3851  
FAX 202 457 2545

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Via Electronic Filing

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> St., SW, Room TWB-204  
Washington, DC 20554

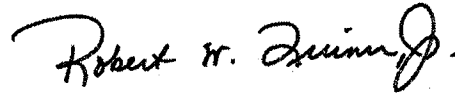
Re: Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket 98-171; Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116.

Dear Ms. Salas:

On Wednesday October 17, 2001, Joel Lubin and I met with Dorothy Attwood, Chief of the common Carrier Bureau, Carol Matthey, Deputy Chief of the Common Carrier Bureau, Jack Zinman, Counsel for the Common Carrier Bureau, Katherine Schroder, Chief of the Accounting Policy Division of the Common Carrier Bureau, and Anita Cheng, Associate Chief of the Accounting Policy Division. The purpose of the meeting was to review AT&T's comments in the aforementioned proceeding. Specifically, we urged the commission to adopt a flat-rate assessment mechanism consistent with our comments, reply comments and other filings in this proceeding. The attached charts that were distributed in a previous meeting formed the basis of our discussions.

The positions expressed by AT&T were consistent with those contained in the Comments and ex parte filings previously made in the aforementioned dockets. One copy of this Notice is being submitted for each of the referenced proceedings in accordance with the Commission's rules.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Robert W. Quinn, Jr.", with a stylized flourish at the end.

Robert W. Quinn, Jr.

Enclosure

cc: Dorothy Attwood, Chief, Common Carrier Bureau  
Carol Matthey, Deputy Chief, Common Carrier Bureau  
Jack Zinman, Counsel, Common Carrier Bureau  
Katherine Schroder, Chief, Accounting Policy Division  
Anita Cheng, Assistant Chief, Accounting Policy Division

# Quarterly Contribution Factors are Very Likely to Increase

Most recent revenue trends indicate little or no growth through 2005.

Any decline in revenue will significantly increase the contribution factor.

Rate of return company "CALLS" plan will increase total USF need.

## ➤ AT&T Proposal for USF Assessment/Collection Reform

### Flat Rate for All Switched Voice Services

- Lines are more stable.
- Helps address bundling and VoIP concerns.
- Can be implemented fairly easily.
- Significantly lowers assessments for the average customer.

# Flat-Rate Assessment and Recovery Mechanism-Advantages

Avoids having to identify assessable portion of bundled offers.

Eliminates the need for a patchwork of special rules and exceptions for different classes of carriers.

Simple to administer.

Commission has the authority to adopt such a mechanism.

# The LEC is Best Positioned to Collect USF

Collection would be for all interstate <sup>switched</sup> services using the LEC's local loop.

LECs are in the best position to to recover USF contribution from the end-user at the least cost.

- LECs already have the billing information within their systems.
- LEC billing eliminates concerns associated with dial-around and prepaid card services.
- LEC billing eliminates difficulty IXC's would encounter in attempting to bill and collect USF from customers with zero long distance usage in a given month.

# The LEC is Best Positioned to Collect USF

It would be extremely inefficient and confusing to customers to have each carrier bill a respective portion of a flat-rate USF.

- IXC's would use their own line counts for billing the USF, which may be different from line counts used by LEC's for billing SLC's.
- Total administrative costs would be higher with each carrier separately billing for USF.

# Operationalizing AT&T's Proposal

Carriers file Form 499-Q by the beginning of the second month of each quarter (February 1, May 1, August 1, and November 1).

- Form 499Q is revised to require carriers to file switched access line/telephone numbers counts as of the end of the previous quarter.
- Only carriers that own the loop facility and/or spectrum are required to file Form 499-Q's.
- Wireline Carriers would distinguish line counts by residence, single line business, multi line business and pay telephone lines



## Operationalizing AT&T's Proposal

USAC calculates the appropriate flat-rate assessment for each market segment by dividing the projected USF funding requirements by the line-counts obtained from the previous Form 499-Q.

Carriers contribute to USF based on a collect and remit basis – NPRM Para. 26

## A Prescribed Pass-Through Is the Only Lawful Means of Eliminating Variations Among Carrier Line Items

A uniform line-item charge is desirable to avoid customer confusion.

Carriers must be required to pass-through USF assessment in line-item on end user bill.

The Commission has authority to adopt a pass-through mechanism.

The Commission's proposal of capping the line-item is unlawful.

## There is Widespread Support for a Flat-Rate USF Assessment and Recovery Mechanism

### *Nextel*

"The simplest assessment method for wireless carriers would be application of a flat fee." *Comments at 3.*

### *Ad Hoc Telecommunications Users Committee*

"Ad Hoc urges the Commission to replace its existing contribution mechanism based on end user revenues with a non-traffic sensitive, flat-rated charge that would apply to every line connected to the public switched network." *Comments at 27.*

### *Sprint*

"This is the most equitable allocation method for customers, given the fact that universal service benefits accrue from network connections rather than revenues." *Comments at iii.*

## There is Widespread Support for a Flat-Rate USF Assessment and Recovery Mechanism

### *WorldCom*

"This connection- and capacity-based approach has many advantages, including eliminating the need to determine under which jurisdiction particular revenues or minutes of use fall." *Comments at 4.*

### *Z-Tel*

"Z-Tel believes that one component of a solution would be for the Commission to collect a flat-fee – and only a flat-fee – contribution for each residential account." *Comments at 4.*

### *Cable & Wireless USA*

"We share the views raised by various commenters that the Commission should consider moving away from a revenue-based assessment, and instead adopt a system whereby universal service contributions are assessed on a flat-fee basis, such as a per-line charge." *Reply Comments at 2.*

## There is Widespread Support for a Flat-Rate USF Assessment and Recovery Mechanism

### *Level 3 Communications*

"The Commission should eliminate the revenue-based methodology and implement a methodology that is based on the capacity of network connections provided to customers who are not carriers or other entities contributing to universal service."

*Reply Comments at 4.*

### *Telstar International*

"Telstar recommends that the Commission adopt a flat-fee assessment on end user lines. A flat-fee assessment is competitively neutral, easy to implement, and relieves many of the existing burdens implicit in the existing assessment methodology."

*Comments at 11.*

# AT&T Proposal for USF Assessment/Collection Reform

- Hybrid of Flat-Rate for Wireline Consumer and Wireless and Revenue Percentage for Business
  - Can be implemented fairly easily.
  - Significantly lowers assessment for the average consumer.
  - Continues to assess all business services if determined to be necessary by the Commission.

## Alternative Assessment & Recovery Mechanism Can Be A Hybrid of Flat-Rate and Revenues

Hybrid mechanism would be applied if the Commission decides that special access should not be excluded from the universal service assessments and is not prepared to adopt a capacity-based assessment at this time.

Under hybrid, flat-rate would apply to all residential lines, wireless and pagers, and revenue percentage would apply to all business services, including single-line business.